CORRECTIONS AND PUBLIC SAFETY

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2003

Provincial Auditor Saskatchewan

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103-06644/

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Correctional Facilities Industries Revolving Fund as at March 31, 2003 and the statements of operations and accumulated operating deficit and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 21, 2003

Fred Wendel, CMA, CA
Provincial Auditor

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
BALANCE SHEET
AS AT MARCH 31

	2003	2002
ASSETS		
Current assets:		
Accounts receivable	$ 136,196	$ 153,552
Receivable from General Revenue Fund	149,102	---
Inventory (Note 7)	181,928	210,055
	467,226	363,607
Capital assets (Note 5)	105,494	121,322
	$ 572,720	$ 484,929
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	$ 35,796	$ 32,571
Taxes payable	3,974	3,756
Accumulated net expenditure (Statement 3)	706,022	597,707
Fund equity:		
Accumulated operating deficit (Statement 2)	(173,072)	(149,105)
	$ 572,720	$ 484,929

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF OPERATIONS
AND ACCUMULATED OPERATING DEFICIT
FOR THE YEAR ENDED MARCH 31

	2003		2002
	Budget (Note 11)	Actual	Actual
Sales	$ 1,119,000	$ 676,926	$ 723,473
Cost of goods sold (Note 6)	938,170	664,789	630,966
Gross profit	180,830	12,137	92,507
Operating expenses:			
Salaries	250,330	283,794	267,885
Inmate assessment	19,500	12,309	19,019
Travel	13,400	8,686	10,965
Miscellaneous	5,900	6,640	3,655
Repairs and maintenance	1,750	4,963	464
Amortization	2,064	598	752
Office supplies	2,200	3,060	1,889
Bad debts/allowance	3,200	4,869	15,550
Delivery	1,250	180	333
Returns	1,900	1,849	3,941
Advertising	---	310	620
	301,494	327,258	325,073
Net (loss) from operations	(120,664)	(315,121)	(232,566)
Other income	40,000	52	32,197
Subsidy from General Revenue Fund	142,000	142,000	142,000
Deficit Recovered from General Revenue Fund (Note 4)	---	149,102	---
Net (loss) income	$ 61,336	(23,967)	(58,369)
Accumulated operating deficit, beginning of year		(149,105)	(90,736)
Accumulated operating deficit, end of year - to Statement 1		$ (173,072)	$ (149,105)

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
FOR THE YEAR ENDED MARCH 31

	2003	2002
Financing (provided by) required for operating activities:		
Net loss	$ 23,967	$ 58,369
Items not affecting working capital		
- amortization	(28,842)	(28,491)
- loss on disposal of capital assets	---	(25)
Working capital changes related to operations		
Increase (decrease) in accounts receivable	131,746	(277,951)
Increase (decrease) in inventories	(28,127)	27,072
(Increase) decrease in current liabilites	(3,442)	115,908
	95,302	(105,118)
Financing required for investing activities:		
Purchase of capital assets	13,013	65,784
Net increase (decrease) in financing requirements	108,315	(39,334)
Accumulated net expenditure, beginning of year	597,707	637,041
Accumulated net expenditure, end of year - to Statement 1	$ 706,022	$ 597,707

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2003

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 53 of *The Correctional Services Act*. The purpose of the Revolving Fund is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates, which provides a revenue source to reduce the costs of inmate programming.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 7. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and

ii) the book value of assets acquired at no charge from another government agency.

c) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

d) Revenue Recognition

The financial statements recognize revenue from long-term contracts proportionately with the degree of completion of goods under contract.

e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using first in, first out method.

f) Capital Assets

Capital assets are recorded at cost. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations.

Amortization is calculated on a straight-line basis at an annual rate of 10% for equipment and leasehold improvements and on a diminishing balance basis at an annual rate of 30% for tools and other assets. Computer equipment is amortized on a straight-line basis over three years.

3. Authorized Financing

Subsection 53 (10) of *The Correctional Services Act* specifies that the maximum accumulated net expenditure will be set by order of the Lieutenant Governor in Council. A maximum amount of $900,000 was established by Order in Council 816/89.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the surplus exceeds or the deficit is less than the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Correctional Facilities Industries Revolving Fund is $100,000 per year.

5. Capital Assets

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 322,544	$ 244,371	$ 78,173	$ 318,956	$ 222,363	$ 96,593
Tools	62,108	55,848	6,260	61,239	52,972	8,267
Leaseholds	87,965	68,426	19,539	80,164	65,441	14,723
Computer	13,168	12,626	542	12,416	11,890	526
Other	14,190	13,210	980	14,190	12,977	1,213
	$ 499,975	$ 394,481	$ 105,494	$ 486,965	$ 365,643	$ 121,322

6. Cost of Goods Sold

Cost of goods sold consists of the following:

	2003	2002
Materials	$ 315,371	$ 250,741
Supplies	22,226	21,523
Small Tools	2,490	2,009
Inmate Labour	31,790	36,653
Inmate Incentive	60,204	63,123
Amortization	28,231	27,739
Staff Salaries	171,723	196,326
Shop Expense	32,754	32,852
	$ 664,789	$ 630,966

7. Inventory

Inventory consists of the following:

	2003	2002
Raw Materials	$ 146,651	$ 163,383
Work in Process	24,176	26,462
Finished Goods	11,101	20,210
	$ 181,928	$ 210,055

8. Amount Reported in the Public Accounts

The net (expenditure) recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2003	2002
Net income (loss) after subsidy	$ (173,072)	$ (58,369)
Deficit recovered from the General Revenue Fund	149,102	---
Decrease/(increase) in inventory balance	28,127	(27,072)
Decrease/(increase) in net capital assets	15,819	(37,268)
Timing differences in recording receipts and payments	(26,607)	24,977
Net (expenditure) recovery reported in the Public Accounts	$ (6,631)	$ (97,732)

9. Related Parties

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. These transactions, and amounts outstanding at year end are as follows:

	2003	2002
Revenue	$ 130,090	$ 128,348
Accounts Receivable	$ 8,610	$ 8,656

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

10. Financial Instruments

The Revolving Fund's financial instruments consist of accounts receivable, accounts payable and accumulated net expenditure.

a) Significant terms and conditions

There are no significant terms and conditions related to the financial instruments that may affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. Accounts receivable balances are with many customers, and therefore this helps to reduce credit risk.

c) Fair value

The carrying amounts approximate fair value due to their immediate or short-term nature. The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

11. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

12. Contingency

The Revolving Fund is a defendant in a legal proceeding. An estimate of losses, if any, cannot be determined at this time. Accordingly no provision has been made in the Revolving Fund's accounts.